

MONTANA

**MUNICIPAL POLICE
OFFICERS'
RETIREMENT SYSTEM
(MPORS)**

MEMBER HANDBOOK

December 2008

Public Employees' Retirement Board

State of Montana
 Brian Schweitzer, Governor
Public Employees' Retirement Board

Name	Statutory Designation (§ 2-15-1009, MCA)	Location	Term Expires
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John Nielsen Vice President	Active Public Employee	Glendive	3/31/12
Terrence Smith	Active DC Plan Member	Bozeman	3/31/09
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 Barbara Quinn Fiscal Services Bureau Chief
 Kathy Samson DC Plans and Education Services Bureau Chief
 Ann Reber Editor

PERB Mission Statement



The Montana Public Employees' Retirement Board will fiduciarily administer its retirement plans and trust funds, acting in the best interest of the members and beneficiaries.

Contacting MPERA

If you have any questions about the Municipal Police Officers' Retirement System (MPORS), call or e-mail us, or visit our web-site.

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If you don't know who to contact, e-mail our "front desk" and we'll forward your question to the right person: **mpera@mt.gov**.

Web Site

For updated information and to view MPERA newsletters and other publications, visit us on the web at **<http://mpera.mt.gov/>**.

MPERA Mission Statement

The Montana Public Employee Retirement Administration (MPERA) will efficiently provide quality benefits, education and service to help our plan members and beneficiaries achieve a quality retirement.

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Preface

This *Municipal Police Officers' Retirement System Member Handbook* is a general summary of the benefits provided by the Montana Municipal Police Officers' Retirement System (MPORS). It is intended to give you an idea of what your benefits are and to acquaint you with MPORS. Every effort has been made to ensure the contents agree with the law and rules. The law and its interpretation can change, so this handbook may be out-of-date soon after it is published. This handbook is not a final source of the law and rules. **IT SHOULD NOT BE TAKEN AS FINAL LEGAL AUTHORITY.** Information in this handbook is based on 2007 law. Benefits are based on the law in effect at the time of your termination from employment; therefore, some information found here may not apply in specific cases. If this handbook differs with law or rules, the law or rules will apply. This handbook replaces all previous MPORS member handbooks.

Montana Code

The law governing MPORS may be found in Title 19, Chapters 2 and 9, Montana Code Annotated (MCA). The MCA is available on line at http://data.opi.mt.gov/bills/mca_toc/index.htm. References to the pertinent sections of MCA are provided in parentheses throughout this publication.

Overview

- MPORS provides service retirement benefits, disability retirement benefits or survivor benefits, if you are eligible.
- You are eligible to retire and receive a service retirement benefit when you complete 20 years of membership service at any age, or you are age 50 with at least five years of membership service.
- You, your employer, and the state contribute toward your future retirement benefits.
- You may withdraw only your contributions plus interest if you leave MPORS-covered employment and don't retire.
- If you withdraw your contributions, you lose your right to any future retirement benefit.

Introduction

Retirement Security for our Members Since 1974

The Municipal Police Officers' Retirement System (MPORS) is a public pension plan for Montana police officers employed by first- and second-class cities, and other cities that wish to adopt the plan. In 1974, the Legislature created MPORS to grant service retirement, disability retirement, or survivor benefits to plan members and their beneficiaries. As of June 30, 2008, membership of MPORS consisted of the following:

MPORS Membership

Number of participating employers	27
Active plan members.....	644
Inactive plan members entitled to but not yet receiving benefits or a refund:	
Vested	34
Non-vested	58
Retirees and beneficiaries receiving benefits:	
Service Retirements.....	592
Disability Retirements	15
Survivor Benefits	29

The Public Employees' Retirement Board (PERB) is an independent, seven-member board, appointed by the Governor and confirmed by the Senate, to administer MPORS, seven other retirement systems, and the State's Deferred Compensation Plan. The Montana Public Employee Retirement Administration (MPERA) does the day-to-day work. This handbook uses the terms we, us, MPERA, and Board interchangeably.

MPORS is a **defined benefit** retirement system. The benefits you receive are based on your years of service and your final average compensation, not on the amount of money you contribute and the interest which accrues to your account.

Money that you pay into MPORS earns interest and helps pay for your benefits. MPORA will keep track of your money in your own account and credit your account with interest. We combine the funds from all accounts in a trust fund, which the Board of Investments invests. Income earned is reinvested into the trust fund. Only the Board may authorize payment from the trust fund. Current law limits payments to benefits and refunds for members or their survivors. In addition, the Board must pay administrative expenses from the investment earnings. (§§ 19-2-408 and 19-2-505, MCA; Montana Constitution, Art. VIII, § 13)

Every year, an actuary must evaluate the trust fund's capability to pay the benefits promised to members. Based on the fund's strength and the actuary's advice, the Board may initiate changes in benefits or contribution rates. Benefits and contributions are set by law and only the Legislature may change them. Before each legislative session, the Board will review the sufficiency of the benefits and advise the Legislature. (§§ 19-2-403 and 19-2-405, MCA)

Section I: Membership

1. Membership Enrollment

Membership in the Municipal Police Officers' Retirement System (MPORS) is mandatory for all police officers employed by first- and second-class cities or any other city who elects to join MPORS. Membership service will begin for an individual police officer on the first day of employment, or on July 1, 1977, if the officer was employed by an employer providing MPORS coverage on that date.

In the case of a city that chooses coverage under MPORS after July 1, 1977, the city's existing police officers may elect to become members of MPORS within 30 days of the effective date of the city's election to join MPORS. Police officers hired after the effective date must be members of MPORS. (§ 19-9-301, MCA)

Membership Cards

New police officers must complete a membership card upon starting work in a job covered by MPORS. Your payroll clerk should provide you with this card on your first day of work. Complete the card and return it to the payroll clerk, who will send it to us.

A membership card is a vital record; you must keep it up-to-date. To update your information, complete a new card and give it to your payroll clerk. The payroll clerk must send it to us in order for the changes to take effect. Marriage, divorce, birth of a child, and death of a beneficiary are reasons to update your card. MPORA will print the data from your membership card on your Annual Membership Statement, which is mailed

**Update the card
whenever any of the
information on the
card changes.**

to you each July. Check the statement carefully. If any of the member or beneficiary data is wrong, submit a new card to your payroll clerk.

NOTE: The membership card allows you to list one or more beneficiaries in addition to your spouse and dependent children. Your spouse or dependent children are your beneficiaries under law. A beneficiary is requested to be named in the event of your death without leaving a “statutory” beneficiary. The beneficiary is eligible to receive any balance in a member’s account but does not receive monthly benefits. (See Additional Information on pages 31-32 for information on Death Benefits.) (§ 19-9-804, MCA)

Transfer of Membership to PERS

An **injured non-vested member** who transfers to a Public Employees Retirement System (PERS)-covered position in the same municipality will receive credit for all service and accumulated contributions (contributions and interest) previously credited with MPORS. The amount of employer contributions transferred will be equal to the amount that would have been contributed if the transferred service had been normal employment covered under PERS. (§ 19-9-410, MCA)

Ineligibility for Other Retirement Plans

An active member cannot be covered under any other mandatory retirement plan for police service. This includes any retirement plan to which an employer is required to contribute on the officer’s behalf. This limitation does not apply to social security. (§ 19-9-302, MCA)

2. Contributions ---

You, your employer and the state of Montana pay contributions to MPORS. The following explains contributions to MPORS and what is expected of you and your employer.

Member Contributions

All members must pay part of their gross pay to MPORS in the following amounts: (§ 19-9-710, MCA)

- a. Members first employed on or after July 1, 1997, who are automatically covered under GABA, pay 9%. (See pages 33-34 for an explanation of GABA.)
- b. Members who elected GABA coverage prior to January 1998 or December 1999, pay 9%.
- c. Members who did not elect GABA coverage; and
 - i. were first employed after June 30, 1979 and before July 1, 1997 pay 8.5%.
 - ii. were first employed after June 30, 1975 and before June 30, 1979 pay 7%.
 - iii. were first employed on or before June 30, 1975 pay 5.8%.

Interest: Your MPORS account earns interest each month. If you end your MPORS-covered employment and leave your money on account, it will continue to earn interest. If you take a lump-sum refund instead of a monthly benefit, you will receive your contributions plus accrued interest. **The interest credited to your account will not affect the amount of your monthly retirement benefit.**

Taxation: Since July 1985, the money you contribute to MPORS is contributed pre-tax. The interest your account earns has always been tax-deferred. This means state and federal taxes are not paid until you receive the money as a benefit or refund. Any money you

paid to MPORS before July 1985 was taxed. If you have taxed money in your account when you retire or elect to take a lump-sum refund, then part of your monthly benefit or refund will not be taxed.

Purchase of Service: To purchase refunded or other types of service, you may contribute amounts beyond your regular contributions. These additional payments are made pre-tax if you authorize payment by a payroll deduction contract. You may also rollover funds from an eligible retirement plan or make cash payments directly to MPERA.

You will receive interest on service purchase payments at the same rate you receive interest on your regular contributions. All interest paid to a member's account is tax-deferred.

(§§ 19-2-704 and 19-2-708, MCA)

Employer Contributions

Your employer contributes an amount equal to 14.41% of their total MPORS-covered payroll to the pension trust fund. These contributions are not refundable and provide “pooled” funds for retirement, disability, and death benefits. (§ 19-9-703, MCA)

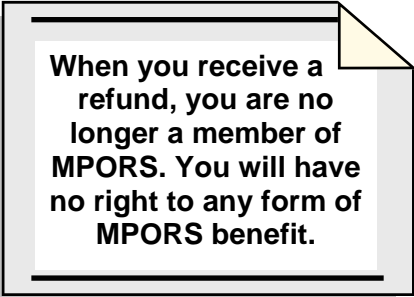
State Contribution

The state of Montana annually contributes an amount equal to 29.37% of the total compensation paid to all active MPORS members each year. These contributions are made to the retirement trust fund by the State Auditor as provided in § 17-7-502, MCA.

(§ 19-9-702, MCA)

Refund of Contributions

Vested members who end MPORS-covered employment may leave their money on account to continue to earn interest; or they may receive a refund of their accumulated contributions (member contributions plus interest).



When you receive a refund, you are no longer a member of MPORS. You will have no right to any form of MPORS benefit.

To receive a refund, request an application from your employer. The application has two parts. You must complete the member section, then give it to your employer. Your employer will complete the employer section and send it to MPERA.

If you terminated more than three months ago, you should contact us directly to apply for a refund. (§ 19-2-602, MCA)

Processing a Refund: MPERA cannot process your refund before your employer sends us the application and the final payroll information. This process may take up to four weeks from the date you get your last paycheck. Extending your last day of work into a new pay period or month may increase the processing time.

Mandatory Refunds: If you are not a vested member (less than five years of membership service), IRS regulations may require that we distribute your contributions to you. If you have:

- less than \$200 in accumulated contributions, you will automatically be sent a lump sum refund. No taxes are withheld.
- Between \$200 and \$1,000 in accumulated contributions, you will be sent a notice and a refund application. The application allows you to request that your contributions be rolled over to another eligible retirement plan. Rolling your contributions to another eligible retirement plan protects the tax-deferred status of your contributions.

- more than \$1,000 in accumulated contributions, you may leave your contributions on account and continue to earn interest. (§19-2-602, MCA)

NOTE: If you receive your refund directly, the IRS requires us to withhold 20% for tax purposes. The IRS may also charge you an additional 10% penalty for early withdrawal. For more information, see Taxes on Refunds on page 36.

Return to Work After Receiving a Refund: If, after receiving a refund, you accept a mandatory MPORS-covered position, you will again become a member. We will consider you a new member without credit for the refunded service. You may reinstate the refunded service by redepositing the amount of money you were refunded, plus interest. (See Purchase of Service on pages 17 - 20.) (§19-2-603, MCA)

3. Service ---

The amount of time you work and contribute to MPORS affects the amount of your retirement benefit. The monthly benefit you receive will depend on the number of years you work in a MPORS-covered position, whether you work full- or part-time, and any purchases of service.

Membership Service

MPERA uses membership service to determine if you are eligible for vesting, retirement, or other MPORS benefits. You earn one month of membership service for any month you contribute to MPORS, regardless of the number of hours you work or the pay you receive in that month.

If eligible, active and inactive vested members may purchase some types of service that will count as membership service. (See Purchase of Service, on pages 17 - 20.) Your total membership service will not match service for other employee benefits, such as the rate at which you earn annual leave. Service for different benefits may vary because the laws and rules that apply are different.

(§§ 19-2-303 and 19-2-702, MCA)

Vesting

You are vested after you accrue five years of membership service. Once vested, you are entitled to any retirement benefits for which you are eligible. (See Benefits on page 21.) If you withdraw your accumulated contributions, you give up your right to a disability or service retirement benefit.

Example: You become vested after earning five years of membership service. If you leave MPORS-covered employment at age 31 with nine years of membership service, and do not withdraw your contributions, you may receive a monthly benefit at age 50. (See page 21.)

Service Credit

Your service credit affects the amount of your retirement benefit. You earn one month of service credit for each month of full-time service. Full-time service means your employer paid you for at least 160 hours during that month. If you are paid for less than 160 hours in a month, you will receive proportional service credit. For example, 80 hours during a given month will receive one-half of a month of service credit.

(§ 19-2-701, MCA)

The following full-time requirements are used when computing a MPORS member's service credits:

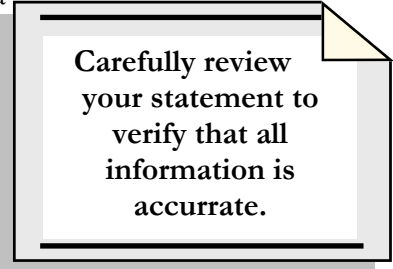
Until 6/30/75	2000 hours/year = 12 months service credit
7/1/75 - 8/30/86	100 hours/month = 1 month service credit
9/1/86 - 6/30/87	160 hours/month = 1 month service credit
7/1/87 - 6/30/90	140 hours/month = 1 month service credit
7/1/90 - present	160 hours/month = 1 month service credit

Part-time Service

If you worked part-time, MPERA will adjust either your service credit or final average compensation when you retire. We adjust one or the other to prevent a double reduction of your benefit. If you retire with a full-time salary, then we will not adjust your part-time service credits to calculate your benefit. You will not see any adjustment until retirement.

Annual Membership Statement

Each July, MPERA will send you a membership statement projecting potential retirement benefits based on current information. If you have corrections, changes or questions concerning any information, including service credit, contact MPERA in writ-



**Carefully review
your statement to
verify that all
information is
accurate.**

ing and provide a copy of your statement with the changes noted.

Part-time Service and Membership Statements: If you have part-time service, the total service reported in your statement may seem wrong. The statement reflects the hours reported by your employer. When your employer reports less than 160 hours, the system gives you less than one month of service credit. (See Service Credit on page 16.)

NOTE: We will correct mistakes in your account or service when identified and verified. Mistakes will not bind MPERA to pay a benefit for which you are not eligible.

Purchase of Service

Eligibility and Cost Statements: Vested members, both active and inactive, may purchase the various types of service identified on pages 18-20 at any time before retirement. Purchasing service may enhance your retirement benefit. Be aware that any delay may increase the cost because of added interest or higher salaries.

You may not buy any service that could make you eligible for a retirement from another public retirement system until you receive a refund of the service from the other public system.

Request a Cost Statement: A cost statement provides the amount required to purchase service, as well as payment options. You must provide the following written information: **your full name (including any former names), a current mailing address, your social security number, and the type of service you wish to buy.** If you are sending your request via email, include all of the above information; however, provide **only the last four digits** of your social security number.

You should also send us any documents that relate to the service, including the approximate dates of service. We will review the request and send you a cost statement for buying any eligible service.

You must pay the cost in a lump-sum or start monthly payments within 30 days. Only MPERA can give you a cost statement. A

cost statement from any other source may not be used.

Paying for Service Purchases:

You may pay for a service purchase in one lump-sum, or you may make monthly payments. Active members can make monthly payments by pre-tax payroll deduction. You may also purchase service through a roll-over of funds from an eligible retirement plan. Inactive vested members, active members not paid monthly, or active members who wish to self-pay may send payments directly to MPERA. (These payments are not made pre-tax.) If you fail to make a regular monthly payment, you give up the right to make any more payments. Your service purchase will be prorated.

After 30 days, the cost statement is not valid. Contact us for an updated cost statement.

MPERA will track your monthly payments in an additional contribution account until you complete the service purchase contract. We will then transfer the money to your regular account and credit your account with the service. You must complete all service purchases before you retire or the service purchase will be prorated. (§§ 19-2-704, and 19-2-708 MCA)

Types of Service Which May Be Purchased:

1. Refund: If you terminate your job and request a refund of your accumulated contributions (contributions plus interest), you may purchase the refunded service if you return to a MPORS-covered position. To purchase the refund, you must repay the contributions and interest you received as a refund. You must also pay the interest the contributions would have earned if you had left it on deposit. Refund service is both membership service and service credit. (§ 19-2-603, MCA)

2. Montana Public Service: You may buy service refunded from (or for which you are eligible to receive a refund) other Montana statewide retirement systems administered by MPERA. You may

also purchase service from the Teachers' Retirement System for which you have received, or are eligible to receive a refund. Other full-time public service employment with the state or a political subdivision of the state may also qualify. All service referenced in this paragraph is both membership service and service credit. (§ 19-2-715, MCA)

3. Military/Reserve Military Service: When you have at least five years of membership service, you may, at any time prior to retirement, purchase up to five years of active military or reserve military service. Reserve military service may include service in the army or air national guard. Both active and reserve military service is purchased at actuarial cost.

You may not purchase your military time if you are receiving a retirement benefit from the military, or from another retirement system or plan for that time, nor may you may purchase your active or reserve military service if you purchase service credit under USERRA for the same time period.

You may purchase your reserve military time prior to separation from the services in the reserves.

Military and reserve military are both membership service and service credit. (§ 19-9-403, MCA)(ARM 2.43.437)

4. "One-for-Five" Additional Service: For each five-year period of membership service, you may buy one year of additional service credit. You may buy no more than five years of additional service. If you are eligible to buy one year, you may buy less than a full year.

"One-for-Five" service is **not** membership service and cannot make you eligible to retire or to purchase other types of service. Your total service credit on your annual statement will not include the "One-for-Five" service purchased; however, it will be added to your service credit when we calculate your retirement benefit. (§19-9-411, MCA)

Limitations: Current law limits your purchase of active military, reserve military, and additional service, to a combined total of five years. (§ 19-9-406, MCA)

When purchasing service, the most recent service must be purchased first.

Section II: Benefits

To receive retirement benefits under the MPORS defined benefit plan, you must fulfill certain age and service requirements. Retirement benefits are payable directly to you.

1. Qualifying for Benefits

Vested Members

When you complete five years of **membership service** (explained on page 15), you become a vested member. Once vested, MPORS guarantees you a retirement benefit after you reach the minimum age or service requirement.

Active Members

You are an active member if you are in a MPORS-covered position and are making the required contributions to the system. If you are a vested member, you may terminate your MPORS-covered employment and leave your contributions in MPORS. You may apply for monthly retirement benefits when you are at least age 50.

You could also take a refund of your account, rather than a retirement benefit. However, if you withdraw your accumulated contributions from your account, you give up all vested rights. In other words, once you cash your refund check, you are not eligible for a monthly retirement benefit. (§§ 19-2-602; and 19-9-301, MCA)

Remember . . .
Once you withdraw the money from your account, your membership ends. You lose your right to any benefits from MPORS.

Inactive Vested Members

You are an inactive, vested member when you terminate your MPORS-covered employment, have five or more years of membership service and do not withdraw your MPORS account. You may buy any service for which you are eligible. You may apply for retirement after you meet the minimum age and service requirements. (§ 19-9-301, MCA)

Non-Vested Members

You will not be eligible for a retirement benefit. However, you are eligible for a refund of the accumulated contributions (your contributions plus interest). MPORS will pay you interest until you receive the refund. Remember, if you take a refund of your accumulated contributions, you give up all rights in MPORS. (See page 13-14 for information about refunds for non-vested members.)

(§ 19-9-301(5), MCA)

City-County Consolidation

If you are a law enforcement officer and transfer either to or from MPORS, or the Sheriffs' Retirement System (SRS), because of city-county consolidation, you are eligible for benefits if your combined service in MPORS and SRS satisfies the system requirements to which you last made contributions.

Eligibility for and calculation of a benefit or a refund of contributions is governed by the provisions of the retirement system to which you last made contributions. The service retirement benefit will be a combined benefit from both systems. Each part of the combined benefit will be calculated separately, based on your service credit in each system, and meeting the requirements of each system. Your beneficiaries, contingent annuitants, and survivors will also receive a combined benefit with each part based on the requirements of the respective system.

(§§ 19-9-404 and 19-7-801, MCA)

2. Retirement Benefits

As an MPORS member, you are eligible to receive benefits when you meet certain requirements. The following pages outline the benefits provided by the MPORS defined benefit plan.

Service Retirement

You are eligible for service retirement benefits when you complete:

- a) 20 years of membership service at any age; or
- b) 5 years of membership service and 50 years of age.

(§ 19-9-801, MCA)

As stated earlier, MPORS is a defined benefit plan. Defined benefit plans use a set or defined formula to calculate your benefit. Your MPORS retirement benefit is based on your years of service credit and the average of the last 36 months of compensation.

(§§ 19-9-104(4) and 19-9-804, MCA)

An explanation of the factors follows:

(A) Service credit is the amount of service you earned (see page 16).

(B) 2.5% (0.025) is the factor that determines how much of your final average compensation you get for each year of service credit.

(C) Final Average Compensation (FAC) is the average of your monthly compensation for the **last** 36 months of service.

The formula for monthly service retirement benefit in MPORS is:

$$2.5\% \times \text{Years of Service Credit} \times \text{Final Average Compensation}$$

Use these factors to quickly estimate your monthly benefit:

(A) Years of Service Credit	_____
(B) Factor	x 0.025
(C) Final Average Compensation (FAC)	x _____
Monthly Benefit	= _____

Service Retirement Sample Calculation

Kenny Retire, Age	45
Service Credit	20 years
Final Average Compensation (FAC)	\$3,000 per month
Account Balance at Retirement	\$35,450

Benefit Formula: $2.5\% \times \text{Service Credit (years)} \times \text{FAC}$

$$0.025 \times 20 \times \$3,000 = \$1,500$$

Kenny will receive a monthly benefit of at least \$1,500, plus GABA increases when eligible, for life. If he dies, a monthly benefit equal to the amount of Kenny's benefit will continue to his surviving spouse for life. If he has no surviving spouse, the benefit will continue to a dependent child (or children, collectively) until there is no dependent child. A dependent child is one who is unmarried and either under the age of 18 or under the age of 24 and attending an accredited post-secondary educational institution as a full-time student. (§ 19-9-104(2), MCA)

In the absence of a surviving spouse or dependent child, and if Kenny had not received benefits equal to at least \$35,450 by the time of his death, his designated beneficiary would receive a lump sum payment of the remaining balance in his account. (See pages 31-32 for an explanation of Death Benefits.)

Age 50 Retirement

If you have at least five years of membership service, and terminate service prior to becoming eligible for a service retirement benefit, you may elect to leave your accumulated contributions on deposit. **When you reach 50 years of age**, you are eligible to receive a service retirement benefit. The benefit will be calculated using the formula on page 23. (§ 19-9-801, MCA)

Retirement benefit payments may not begin before your 50th birthday.

Age 50 Retirement Sample Calculation

Wanda Retire, Age at Termination	40
Service Credit	15 years
Final Average Compensation (FAC)	\$2,500 per month
Account Balance at Retirement	\$25,495

Benefit Formula: 2.5% x years of service credit x FAC

$$0.025 \times 15 \times 2,500 = \$937.50 \text{ per month}$$

Because Wanda is not yet 50 years of age and has less than 20 years of service credit, she is not eligible to draw a retirement benefit. She will become eligible to receive at least \$937.50 plus GABA increases, per month when she reaches age 50. When she dies, a monthly benefit equal to the amount of Wanda's benefit will be paid to her surviving spouse for life. If she has no surviving spouse, her benefit will continue to a dependent child (or children, collectively) until there is no dependent child. A dependent child is one who is unmarried and either under the age of 18 or under the age of 24 and attending an accredited post-secondary educational institution as a full-time student. (§ 19-9-104(2), MCA)

If there is no surviving spouse or dependent child, and if Wanda had not received benefits equal to at least \$25,495 by the time of her death, her designated beneficiary would receive a lump sum payment of the remaining balance in her account. (See pages 31-32 for an explanation of Death Benefits.)

3. Deferred Retirement Option Plan (DROP)

The Deferred Retirement Option Plan (DROP) provides MPORS members who have at least 20 years of membership service, with a retirement alternative. Participation in the DROP is optional, however, the decision to participate is irrevocable.

(§§ 19-9-1202 and 19-9-1204, MCA)

DROP Participation

If you are an MPORS member, the DROP allows you to begin accumulating your retirement benefit without terminating employment. You may elect a DROP period lasting from 1 to 60 months. While participating in the DROP, your monthly benefit payment, the DROP accrual, remains in the MPORS trust fund, in a separate account, your DROP account. Your DROP account will grow while you continue to work and receive your regular pay.

You, your employer and the state will continue to pay the regular contributions to MPORS while you participate in the DROP. However, you will not earn additional membership service or service credit. **DROP participants may not receive a disability retirement, purchase service, receive service credit, or receive a refund.** (§ 19-9-1205, MCA)

After you participate in the DROP and terminate employment, you will start to receive your monthly service retirement benefit payment. You will also receive your DROP account as a lump sum payment (your DROP benefit). You may choose to have the lump sum paid directly to you or rolled into another eligible retirement plan as allowed by the IRS. There may be tax implications if you receive the DROP benefit as a lump sum. (§ 19-9-1208, MCA)

To participate in the DROP, you must send a request to MPERA that includes your full name, Social Security Number, mailing address, and date of birth. You will be sent a DROP application, which you must complete and return to MPERA, along with a certified copy of your birth certificate.

NOTE: If your MPORS-covered employment is terminated during the DROP period, your DROP benefit will be paid as you direct and payment of your monthly service retirement benefit will begin. The DROP period ends on the last day of the last full month of active service.

Distribution of DROP Benefit

When your DROP period ends and MPORS-covered employment is terminated, you will begin receiving your MPORS monthly retirement benefit payment. Your DROP benefit will be distributed to you. You will receive your DROP benefit as a lump sum or a direct rollover to another eligible retirement plan as allowed by the IRS. If you do not designate a rollover within 60 days after termination of employment, the DROP benefit will be paid directly to you in a lump sum. Required federal and state tax withholding will reduce any lump-sum payment. (§ 19-9-1208, MCA)

DROP Survivorship Benefits

If you die while participating in the DROP, your surviving spouse, or dependent children if there is no spouse, will receive your DROP benefit. Your surviving spouse or dependent children are also entitled to your monthly retirement benefit. If you have no surviving spouse or dependent children, then your designated beneficiary will receive the balance of both your retirement account and your DROP account. (See pages 31-32 for information on Death Benefits.) (§ 19-9-1206, MCA)

MPORS-Covered Employment After DROP

You may continue to work in MPORS-covered employment after the DROP period ends, but you will be considered newly hired. You will not receive your service retirement benefit or your DROP benefits during the time you continue to work. Your DROP account will continue to earn interest at the same rate as the trust

fund.* You will earn an additional retirement benefit based on your final average compensation and service credit earned **after** DROP participation. Your DROP benefit will remain based on your final average compensation **before** the DROP period began.
(§ 19-9-1207, MCA)

***Interest:** The interest rate will be fixed at the end of each fiscal year (June 30) and will equal the total rate of return for the trust fund. Interest rates for any part of the current fiscal year will be based on the previous year's total rate of return. If the rate of return is negative, then you will earn 0% interest for the following year.

4. Disability Retirement ---

If you become disabled, you are entitled to a disability retirement benefit, regardless of the length of your service. **The disability does not have to be work-related, but the disability must occur while you were employed in an MPORS-covered position.** The monthly disability retirement benefit will begin on the day following your termination from service. (§§ 19-2-303, MCA)

Disability Benefit

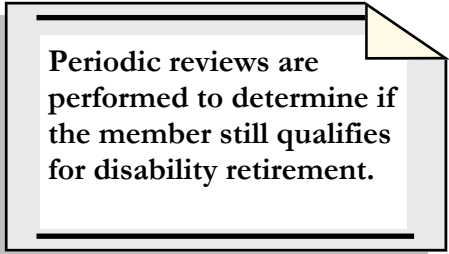
If you are disabled before earning 20 years of membership service, you will receive a disability retirement benefit equal to one-half your final average compensation. If you become disabled after you have more than 20 years of membership service, you will receive a disability retirement benefit calculated at the same rate as a service retirement benefit. (See page 23 for Service Retirement.)

(§ 19-9-903 (18), MCA)

Disability Reviews

At its discretion, the Board may review the medical condition of any member receiving a disability. Periodic reviews are performed to determine if the member still qualifies for disability retirement. The Board may require the recipient of a disability

retirement benefit to undergo a medical examination. The expense of the examination will be paid by the Board.



Periodic reviews are performed to determine if the member still qualifies for disability retirement.

If the Board determines the recipient is no longer disabled, the officer must be reinstated to the position held immediately before retirement or to a position comparable in pay and benefits with duties within the member's capacity, whichever is first available. If the retired member becomes an active member within 30 days of being notified of reinstatement, the member will be considered to have been continuously employed during the time of the member's disability. (§§ 19-9-904 and 19-9-905, MCA)

Disability Benefit Cancellation

The Board will cancel a member's disability retirement in the following cases: (§ 19-9-904, MCA)

- ☐ The member is no longer totally disabled and is offered a position with the employing city; or
- ☐ The member refuses to submit to a medical examination.

Upon notification of an officer's eligibility to return to work, the employer may request a medical or psychological review of the ability of the member to return to work. If the Board's findings are upheld, the city must pay the cost of the review. (§ 19-9-905, MCA)

Payment of Disability Benefit

Unless canceled by the Board for reasons described above, the disability benefit will be paid to the disabled officer for the rest of the officer's life. Upon the disabled officer's death, the benefit will be paid to the surviving spouse or dependent child. This is the same as provided for under a service retirement benefit. (See Death Benefits on the following page.)

In addition, the member (or survivors) will receive applicable benefit increases, such as GABA. (See pages 33 - 34 for information on GABA.) (§§ 19-9-903(2) and 19-9-804, MCA)

Section III: Additional Information

1. Death Benefits

Death of an Active Member

If you die as an active member, your surviving spouse (or dependent child if there is no surviving spouse) will receive benefits as stated below:

- If you have not completed 20 years of membership service, the monthly benefit will be equal to **one-half** of your final average compensation.
- If you have completed over 20 years of membership service, the monthly survivorship benefit must equal 2.5% of your final average compensation for each year of service credit.

If you do not have a spouse or dependant child, a lump-sum payment will be paid to your beneficiary.

Death of an Inactive Member

If you die while an inactive, your surviving spouse or dependent child will receive a lump-sum refund of your accumulated contributions (your contributions plus interest).

Death of a Retired Member

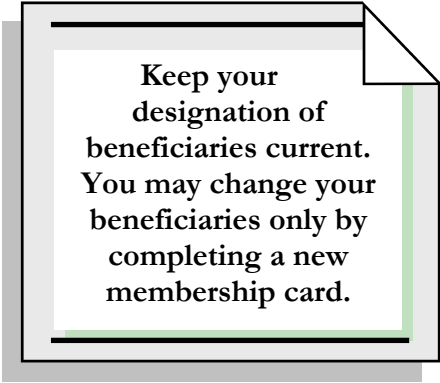
Your retirement benefit will be paid to your spouse upon your death. If you do not have a surviving spouse, or your surviving spouse dies while receiving the benefit, the benefit will be paid to your surviving dependent children.

If you have no surviving spouse or dependent children, your designated beneficiary will receive your remaining account balance (your contributions plus interest on your date of retirement minus any retirement benefit payments you had received). If you have no beneficiary, the amount will then be paid to your estate.

(§§ 19-9-804(2) and 19-9-1102, MCA)

Death Benefit Claim

Upon notification of your death, MPERA will send a death benefit claim form to your designated beneficiary. To claim a death benefit, the beneficiary must return the completed form to MPERA along with a certified copy of your death certificate.



Keep your designation of beneficiaries current. You may change your beneficiaries only by completing a new membership card.

Beneficiaries

Upon your death, your surviving spouse (the person married to you at the time of your death) is the beneficiary of your retirement benefit.

In the absence of a surviving spouse, the benefit will continue collectively to your dependent children. A dependent child is one who is unmarried and either under the age of 18 or under the age of 24 and attending an accredited post-secondary educational institution as a full-time student. (§ 19-9-104 (2), MCA)

If you leave no surviving spouse or dependent child at the time of your death, your designated beneficiary will be eligible to receive any balance in your account. A designated beneficiary may be any person, charitable organization, or trust you wish to name.

You must designate beneficiaries on a MPORS membership card and give the card to your payroll clerk. The clerk will send the card to MPERA. Inactive members may call us to request a new membership card. **The change does not take effect until the card is received in our office.** (§ 19-2-801, MCA)

Advise your beneficiary to contact MPERA for complete details about benefits upon your death.

2. Benefit Increases ---

Minimum Benefit Increases

Members (or survivors) not covered under the Guaranteed Annual Benefit Adjustment (GABA) must receive a minimum benefit adjustment. The minimum retirement benefit payment for each fiscal year may not be less than one-half of the base salary paid in the current fiscal year to a newly confirmed police officer in the city or town that last employed the retired member. (§ 19-9-1007, MCA)

Guaranteed Annual Benefit Adjustment (GABA)

Police officers who were active members of MPORS before July 1, 1997, could choose to be covered under the Guaranteed Annual Benefit Adjustment (GABA). Members who elected GABA, and those who became active members on or after July 1, 1997, will receive GABA retirement benefit increases.

GABA insures an increase of three percent over the previous year's benefit. Other events which increase your benefit will affect your GABA amount. If the other increases are three percent or more, then you will receive no GABA increase that year. (§ 19-9-1009, MCA)

GABA applies to:

- Service Retirement Benefits
- Disability Retirement Benefits
- Survivorship Benefits

Eligibility for and Effective Date of GABA Benefits

Before you will receive an increase under GABA, you must receive your retirement benefit for at least 12 months. Once eligible, you will receive your first increase in your retirement benefit payment the following January.

For example, if you retired on July 1, 2008, you will meet the 12-month requirement on July 1, 2009. You will receive your first GABA increase beginning with your January 2010 benefit as explained below.

GABA Increases for DROP Participants

If you are participating in the DROP and elect GABA, you will receive your GABA increase on your monthly DROP accrual during your DROP participation.

If you did not elect GABA, you will receive the minimum benefit increases to your monthly DROP accrual.

If you continue to work **after** the DROP period, you will not receive GABA increases during your period of post DROP employment.

Timing for Benefit Payments

Benefit payments are processed the last working day of the month. For example: the January benefit payment is mailed on the last working day of January.

If you receive your benefit by direct deposit, the transfer takes place on the last working day of the month. However, your bank may not add the transfer to your account until the next working day. With direct deposit, you receive your money one or two days sooner than with a paper check through the mail.

If you receive your benefit by hard copy check, the check will be mailed on the last working day of the month. Due to mail time, you may not receive your benefit for several days.

3. Taxes on Benefits ---

Some or all of your retirement benefit will be subject to federal and state income taxes. You must pay taxes on any part of your benefit that is based on contributions that were not taxed (made pre-tax) during your working career.

- You paid income tax on any money you contributed before July 1, 1985.
- You paid the taxes on any contributions you made to buy service before the year 2000.
- You have **not** paid taxes on your regular contributions since July 1, 1985, nor have you paid taxes on the interest your account earns.

If some of your benefit comes from pre-tax money, or tax-deferred interest, you must pay taxes on that part.

Tax Statements

Once you are retired and receiving a benefit, MPERA will send you Federal Form 1099R each year. The 1099R form is similar to a W-2 Form and will be sent to all people, charitable organizations, and trusts who receive any payment from MPORS, not just members. The 1099R will show the gross taxable amount you received during the past calendar year and any state or federal taxes withheld during the year. You may elect to withhold federal or Montana state income tax by submitting a Tax Withholding Certificate form available from MPERA. We base withholding rates on current federal and state tax laws unless you request otherwise.

Tax Advice

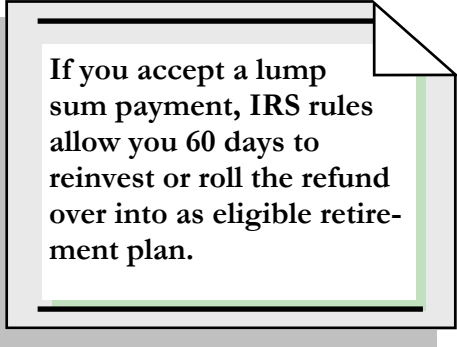
Tax laws that apply to retirement benefits change frequently. You should contact a tax professional for specific, up-to-date information about state and federal taxes.

Taxes on Refunds

The pre-tax portion of your accumulated contributions is subject to state and federal taxes when refunded directly to you in a lump-sum. The taxable amount under state law differs from that under federal law because the state does not tax the interest credited to your account.

The IRS requires us to withhold 20% for federal taxes if you choose to have the refund paid directly to you. Depending on your personal circumstances, the amount withheld may not cover all taxes you may owe on the refund. The IRS may also, at the time you file your income tax return, assess an additional 10% penalty for early withdrawal if you are under the age of 59 $\frac{1}{2}$.

You may avoid paying the 20% withholding tax and possible imposition of a 10% penalty by “rolling-over” the taxable part of your refund into an IRA or other eligible retirement plan. IRS rules allow you 60 days to reinvest or roll the refund over into an eligible plan to avoid paying the 10% penalty. Be prepared to provide the IRS documentation of this roll-over.



If you accept a lump sum payment, IRS rules allow you 60 days to reinvest or roll the refund over into an eligible retirement plan.

You will receive a Distributions Form (Federal Form 1099R) for the refund. It will list the gross distribution, the taxable part of the distribution, and any federal or state taxes withheld from the refund. The 1099R is an important document that you must keep for your tax records. We will not automatically send another 1099R at the end of the year. However, if you lose your 1099R, you may request a duplicate from MPERA.

4. Assignment of Benefits

In most circumstances your retirement benefit is protected from attachment and cannot be assigned to or acquired by a third party.

However, there are circumstances when your retirement benefit may be subject to attachment or assignment. The IRS may place a levy against your benefit for unpaid taxes. Further, a court may assign all or a portion of your MPORS benefits pursuant to a Family Law Order (FLO), which must be a judgment, decree or order of a Montana court and courts from other states may also assign your benefit with a Support Obligation if that Support Obligation meets requirements similar to those for a FLO.

(§§ 19-2-907 and 19-2-909, MCA)

Family Law Order (FLO)

A Montana court may issue a FLO for child or parental support, spousal maintenance, or marital property rights. The FLO may require that we pay an alternate payee a set sum or percentage of your benefit. For example, the FLO may require us to pay \$500 per month until a set sum of \$12,000 has been paid. Or, the FLO may require us to pay 50% of your monthly benefit to your alternate payee for as long as you get a benefit. The FLO may also require you to choose a specific beneficiary in the event of no statutory beneficiary survivors.

A FLO may not require MPORS to pay a type of benefit unless that benefit is available to you, nor can a FLO require an amount or length of payment greater than the benefit payable to you. This means a FLO cannot require MPORS to make any payments before you retire or take a refund. Also, it may not require payments that are more than the amount MPORS may pay you.

(§§ 19-2-907 and 19-2-909, MCA)

5. For More Information ---

- If you want an estimate of your benefit, or a cost statement for buying service, please contact us in writing. Any estimates you receive from any other source are not valid and may not be relied upon. MPERA is not responsible for any information from other sources.
- You must contact us for application forms if you are considering service or disability retirement.
- You should instruct your beneficiaries to contact us in the event of your death.

When you correspond with MPERA by mail or fax, please include your full name, printed and signed, the last four digits of your Social Security Number, your return address and daytime telephone number.

Mailing Address: **MPERA**
 PO Box 200131
 Helena MT 59620-0131

FAX Number: **406-444-5428**

You may also e-mail requests to MPERA at **mpera@mt.gov**. Be sure to include your full name, the last four digits of your social security number, return address and daytime telephone number.

We invite you to call or visit MPERA in Helena at 100 North Park Avenue, Suite 200. Our office hours are Monday through Friday, 8:00 a.m. to 5:00 p.m, except on designated state holidays. **It is most helpful for staff if you make an appointment in advance when you are planning to visit our office.** Phone our office at 406-444-3154 or toll free, 877-275-7372. If our phone lines are busy when you call, you may leave a voice mail message. Be sure to leave your name, telephone number, and the last four digits of your social security number first, then a brief message.

NOTE: To avoid confusion, you should put in writing any questions requesting **specific details** about retirement options or service credit. We will give you a **specific written response**.

GLOSSARY OF TERMS

ACCUMULATED CONTRIBUTIONS - any regular and additional contributions made by a member plus interest earned.

ACTIVE MEMBER - a member in an MPORS-covered job, making the required contributions, and properly reported for the most current reporting period.

ACTUARIAL COST - the amount determined by the Board which is due from the member to purchase service into MPORS.

ADDITIONAL CONTRIBUTIONS - a member's payments to purchase various types of optional service credit under an installment contract. The cost is based on actuarial rates derived from an annual evaluation.

BENEFICIARY - the surviving spouse or dependent child is the statutory beneficiary. In the absence of a surviving spouse or dependent child, the person a member names to receive any survivorship benefits or lump-sum payments upon the member's death.

BENEFIT - a service or disability retirement payment or survivorship payment provided by MPORS.

COMPENSATION - a member's salary before any pre-tax deductions allowed by the Internal Revenue Code are made.

DEPENDENT CHILD - A child of a deceased member: who is unmarried and under 18 years of age; or who is unmarried, under 24 years of age, and is a full-time student enrolled in an accredited postsecondary educational institution.

DISABILITY - total physical or mental incapacity of a member to do the essential functions of the member's job. You must become disabled while an active member, and it must be permanent or of an extended or uncertain period.

DROP - Deferred Retirement Option Plan

DROP ACCOUNT - the member's accumulated monthly DROP accruals, including any post retirement adjustments, plus interest.

DROP PERIOD - the period of time that a member irrevocably elects to participate in the DROP. It may not be less than one month or more than five years.

EMPLOYEE - a person employed by a MPORS employer in any capacity and the employer pays the person's salary.

EMPLOYER - the state, its university system, or political subdivisions that contract with the Board to cover their employees under PERS.

FAMILY LAW ORDER (FLO) - an order from a Montana court that may assign all or part of a participant's payment.

FINAL AVERAGE COMPENSATION (FAC) - The monthly compensation of a member, averaged over the last 36 months of the member's service or, in the event a member has not been a member that long, over the period of membership.

FISCAL YEAR - the 12-month period starting July 1 and ending the following June 30.

GUARANTEED ANNUAL BENEFIT ADJUSTMENT (GABA) - a benefit increase, if and when a member is eligible. The amount is based on date of hire.

INACTIVE MEMBER - a member who ends MPORS-covered employment and does not withdraw his or her MPORS account.

IRA - an individual retirement account.

LUMP-SUM PAYMENTS - amounts, which may include interest, that are payable instead of monthly benefits.

MEMBER - any person with contributions and service on account with MPORS. Persons receiving retirement benefits are also members.

MEMBERSHIP SERVICE - the periods of service used to decide vesting and eligibility for retirement or other benefits.

MONTHLY DROP ACCRUAL - the amount plus interest equal to the monthly benefit that would have been payable to the participant had the participant terminated and retired.

PART-TIME EMPLOYMENT - any month during which the employer pays the member for less than 160 hours.

PARTICIPANT - a member, beneficiary, survivor, or contingent annuitant who is receiving, or may receive, a benefit or payment from MPORS.

REFUND - a withdrawal of the accumulated contributions in a member's MPORS account. By taking a refund, the member gives up all rights to any other benefits from MPORS.

REGULAR CONTRIBUTIONS - the payments an active member must make to MPORS. The payments are a percentage of the member's monthly pay and are made pre-tax.

RETIREMENT BENEFIT - the monthly payment to a member, for life, following service or disability retirement.

RETIREMENT or RETIRED - the status of a member who ends active service and receives a monthly benefit.

SERVICE - employment of an employee in a position covered by a retirement system.

SERVICE CREDIT - the periods in which you contribute the required money to MPORS. MPERA uses service credit to calculate the amount of your benefit.

STATUTORY BENEFICIARY - the surviving spouse or dependent child is the statutory beneficiary.

SURVIVING SPOUSE - the spouse married to a member at the time of the member's death.

SURVIVOR - a surviving spouse or dependent child of a deceased member.

TERMINATION or TERMINATION OF SERVICE - means the member left the employment relationship with the employer and has been paid all compensation due, including but not limited to payment of accrued annual and sick leave. Upon termination, the member will cease to accrue benefits attributable to that employment.

VESTED MEMBER or VESTED - the status of a member with at least five years of membership service. A vested member is entitled to retirement when they meet the minimum service or age provision.

Alternate Accessible Format

MPERA will provide alternative accessible formats of this document upon request. Persons with disabilities, who need an alternative accessible format of this information, should contact us.

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